

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**RURAL INFRASTRUCTURE DEVELOPMENT FUND(IRDF)
FINALISED WITH DEDICATED ALLOCATION OF RS.2000
CRORE:FINANCE MINISTER**

New Delhi: Bhadrapada 26, 1933
September 17, 2011

The Union Finance Minister Shri Pranab Mukherjee said that operational guidelines for assistance for creation/ modernisation of warehousing capacity under Rural Infrastructure Development Fund (RIDF) have been finalised. A dedicated allocation of Rs. 2000 cr. has been provided this year, he added.

The Union Finance Minister Shri Pranab Mukherjee was speaking in Mumbai today while reviewing the flow of credit under various schemes and progress of the financial inclusion with the representatives of State Governments/UTs of Western Region and Chief Executive Officers(CEOs) of Public Sector Banks (PSBs) and Financial Institutions(FIs).The Finance Minister said that the credit flow to Agriculture Sector has been exceeding the annual target for the past many years. The Union Finance Minister **Shri Mukherjee said that in the FY 2010-11, the credit flow to agriculture sector was Rs.4,47,700 cr. against the target of Rs.3,75,000 cr. A target of Rs. 4,75,000 cr has been fixed for the current financial year i.e.2011-12, the Minister added.**

The Union Finance Minister Shri Pranab Mukherjee said that additional interest subvention for timely repayment is being provided since 2009-10. **He said that subsidy of 3% would be available this year. As a result, the Finance Minister said that crop loan upto Rs. 3.00 lacs would be available at an effective rate of 4 % to such farmers.** Shri Mukherjee asked the State Governments to

create more awareness about the scheme so that no eligible farmer is left out,

The Union Finance Minister Shri Pranab Mukherjee advised the States to pay special attention to address the supply chain constraints, particularly in fruits & vegetables and food grains. He said that under financial inclusion, out of 73,000 unbanked villages with population of 2000 and above, over 29,000 villages have been already covered by March 2011. The Finance Minister said that remaining villages are targeted to be covered by March 2012, as scheduled.

The Union Finance Minister Shri Pranab Mukherjee also asked the State Governments to closely monitor the grant of approvals to projects, particularly in the infrastructure and manufacturing sector, where loans have been sanctioned by the banks. This is aimed at expediting the commissioning of such projects so that the benefits of economic growth and employment opportunities are quickly available, he added.

The Union Finance Minister Shri Pranab Mukherjee said that as all PSBs are almost completely on Core Banking Solution (CBS) and the Regional Rural Banks (RRBs) are nearing the completion of Core Banking Solutions, the State Govts were advised to adopt the electronic benefit transfer to beneficiaries who have bank accounts. He said that this will besides improving the efficiency of delivery of these services, reduce the cost and minimise many of the malpractices from the present system.

The Union Finance Minister Shri Pranab Mukherjee asked all the State Governments to take-up a campaign to bring all workers in the informal and unorganised sectors under the co-contributory 'Swavlamban' pension scheme. He said that housing Loans in Western Region during 2010-11 have registered a growth of 51% over previous year. The Finance Minister said that Education Loans in Western Region during 2010-11 have registered a growth of 15% over previous year. Indian Banks Association (IBA) has

revised the Model Education Loans Scheme in August, 2011 for time bound disposal, he informed.

As regard MSME Sector, **the Union Finance Minister Shri Pranab Mukherjee appealed to all State Govts to ensure that there should be year-on-year growth of 20% in MSME advance and 10% increased in micro accounts.** He informed that this has been achieved in Western Region. However, States need to work in partnership with banks to increase share of micro enterprises in MSE Sector, the Minister added.

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The Speech of Shri Mukherjee made on this occasion is also given below:

Address by Finance Minister's in the Meeting with Chief Ministers of West Zone States on 17th September, 2011 at Mumbai

Hon'ble Chief Minister Of Maharashtra Shri Prithviraj Chauhan, State Ministers, representatives/Senior officers of Central and State Governments, Deputy Governor, RBI, CMDs of Public Sector Banks Chief Executives of NABARD, SIDBI, NHB, IIFCL and IBA. First of all, I extend my heartiest welcome to all of you present here today for this meeting. We are holding the first Zonal Review Meeting of the year at Mumbai. I have carefully chosen the agenda items for the meeting today to draw your attention on issues concerning flow of banking credit to the economy, in general, while focusing on the needs of the poor, the marginalized, the small farmer, the micro entrepreneur and others who are otherwise prone to exclusion from the banking services in the normal course. You will agree that there is urgent need for including people from all strata of our society in our development process to ensure maximization of welfare from the growth process.

2. In this meeting, we would discuss sector specific problems and fix time-lines for improvement. We hope to achieve this objective today and I expect your active participation in the deliberation. We have here today a diversified mix of States. The States of Maharashtra and Gujarat are industrial hubs; the tourism potential of Rajasthan, Goa and the Union Territories of Dadar & Nagar Haveli and Daman & Diu is well known; Madhya Pradesh and Chhattisgarh have impressive agriculture and forest

resources. It will, indeed, be a great learning process to share each other's experience and formulate appropriate strategy to approach state specific problems. State Governments and the bankers are working in close coordination to tap the potential of each State/Union Territory and promoting credit flow into various growth areas. Nonetheless, I would like to highlight a few issues relating to flow of credit and some other related issue concerning your states.

3. The target of agriculture credit flow is an important item on our agenda today. This is a critical item for review in the SLBCs, as well. For the current financial year, the target for agriculture credit flow has been fixed at Rs. 4,75,000 crore against which the banking system has already extended credit of Rs. 1,12,731 crore as on 30th June, 2011. During the year 2011-12, short term crop loans will be available at an attractive interest rate of 4 per cent per annum for prompt repaying farmers. It must be ensured that no eligible farmer is left out. States should make efforts to generate awareness regarding the Scheme so that the farmers can avail credit at cheaper rates while the banking system benefit out of timely repayments.

4. With a view to creating modern warehousing capacity for agricultural products, we have dedicated fund of Rs 2000 crore. The operational guidelines for the scheme have been formulated. The scheme will be open to state Government, entities owned or assisted by the State government and to the other entities/agencies engaged in setting up warehousing storage infrastructure. I will request the State governments to avail this opportunity to increase the modern warehousing capacity in a focused manner.

5. Micro and Small enterprises play a crucial role in furthering the objective of equitable and inclusive growth. Reserve Bank of India (RBI) has set separate targets for flow of credit to MSE Sector and for micro enterprises within this overall target for MSE Sector. Last year, Rs. 4,000 crore was provided to SIDBI for refinancing incremental lending by banks to these enterprises. For the year 2011-12, as announced in my budget speech, the provision has been increased to Rs. 5,000 crore. On all India basis, the outstanding MSE credit has exceeded the target but there has been a shortfall in the share of advances to micro enterprises. State-wise performance in MSE sector also differs. While Chhattisgarh and Daman & Diu have shown an impressive growth in credit flow, other States have reflected lower credit growth. Similarly, all the states except Daman & Diu could not achieve 50 per cent target of credit flow to micro enterprises within the MSE Sector.

6. The financial inclusion plan – 'Swavalamban' – is an ambitious plan for Financial Inclusion launched by the Central Government.

We have set a target for coverage of 73000 habitations of the country with banking facilities by the year 2012. By the end of March, 2011, on all India basis over 29000 villages have been covered which is around 40 per cent of the target. In the States represented here today, I find that out of 15547 villages allotted to West Zone for provision of banking services, 5940 villages have been covered by the end of March 2011, which comes to about 38 per cent of the target. Therefore, the balance of 9607 villages representing over 60 per cent of the target needs to be covered by the end of March, 2012. This in turn will require massive efforts on the part of state Governments and banks.

7. There has been significant flow of credit to Housing Sector to States in the West Zone in 2010-11. Housing loans in the states of Daman & Diu and Maharashtra have shown a growth of over 80 per cent during 2010-11. I request states of Madhya Pradesh & Union Territory of Dadar & Nagar Haveli to focus on the growth of Housing Loans as their growth is less than 20 per cent. To further stimulate growth in housing sector, in my budget speech, I have liberalized the existing scheme of interest subvention of 1 per cent on housing loans by extending it to housing loan upto Rs.15 lakh where the cost of the house does not exceed Rs.25 lakh. States should popularize the scheme among the targeted beneficiaries.

8. With regard to the Credit Deposit (CD) Ratio, I find that except for Maharashtra, Rajasthan and Gujarat, all other States in Western Region have a lower CD Ratio than the 60 per cent benchmark. CD ratio in relation to Daman & Diu, Dadar & Nagar Haveli and Goa is less than 30 per cent. I request the Chief Ministers of these states to use the forum of SLBC meetings effectively and take pro-active action to ensure that the CD Ratio in their States is improved.

9. Regional Rural Banks (RRBs) have played a vital role in providing credit facility to small and marginal farmers, agricultural labourers and rural artisans. The Core Banking Solution (CBS) will give necessary impetus to performance of RRBs. RRBs have been advised to migrate to CBS by the end of September, 2011. In the west Zone States, 23 RRBs are functioning in five States with a network of more than 3,700 branches. Out of these, 18 RRBs have already rolled out to CBS. I sincerely hope that other RRBs will expedite their migration to CBS. The Govt. of India has also decided to recapitalize the weaker RRBs to improve their performance. Details of the share of States have already been intimated. I would request the Chief Ministers to look into this aspect so that the recapitalization exercise is completed within this Financial Year.

10. Aam Admi Bima Yojana (AABY) and Janashree Bima Yojana (JBY) are important insurance schemes of the Government of India meant for rural landless poor, rural and urban poor and informal workers working in 45 specified sectors and their families. The contribution per account is only Rs. 100 from the beneficiaries and the balance is paid by the Government of India. The coverage under these insurance schemes may be maximized and a drive may be taken by the State Government to ensure coverage for all eligible workers and their families. In addition, the Government has also introduced a co-contributory pension scheme – “Swavalamban” under which Government of India contributes Rs. 1000 per account per annum. The State Governments should take advantage of Swavalamban scheme and make all out effort to bring all workers in the information sector under the ambit of Swavalamban Scheme. The State Governments should also motivate the Industry and Business Associations for coverage of their employees under regular New Pension Scheme (NPS) or Swavalamban as per their entitlements. In addition, I urge the State Governments to initiate all necessary measures to include all the State Government employees under NPS.

11. I had recently got a feedback from the Public Sector Banks (PSBs) about the projects where implementation is held up due to regulatory approvals. There are over 140 such projects where PSBs have sanctioned loans of Rs. 100 crore or more. Delay in the implementation of projects, particularly in the infrastructure and manufacturing sector, not only deprives the economy of its benefits, downstream investment and resultant employment generation, it also make the projects vulnerable to time and cost overrun and thereby impacts their viability. I would request the Chief Ministers to pay personal attention to this aspect and review the status of approvals in large projects. There is also an urgent need of systemic improvements in dealing with such approvals. CMDs of the PSBs have been advised to approach the State Governments for expediting the approvals in projects financed by them.

12. e-payment is another area where I would seek the cooperation of the Chief Ministers. As you are aware all Public Sector Banks are almost completely on the core banking platform. The States should introduce mandatory e-payment for its various transactions such as payment to its employees, contractors, etc. There are large number of schemes both by the Central Government and State Governments where cash benefits are transferred to the beneficiaries. Under the financial inclusion plan under implementation, banking services are expanding rapidly. I would urge the Chief Ministers to shift to electronic benefit transfer in all villages which have been covered with banking services in a time bound manner. This would, besides improving the efficiency of

delivery of these services and reducing the cost, also minimize, if not eliminate, many of the malpractices which have got embedded into the system. This green initiative will also be our humble contribution to the environmental conservation.

13. I once again thank all of you for your presence today and look forward to your active participation in the meeting.
